

REGULATORY AND OTHER COMMITTEE REPORT

NAME OF COMMITTEE:	Schools Forum
DATE OF MEETING:	15 January 2014
SUBJECT:	School Funding Arrangements 2014/15
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IS THE REPORT EXEMPT?	No
IS REPORT CONFIDENTIAL?	No

SUMMARY

The purposes of this report are to:

1. brief the Schools Forum on school funding arrangements for 2014/15; and
2. seek support for the Local Authority’s (LA) proposals relating to a number of centrally held budgets.

DISCUSSION

Background

As reported to the Schools Forum at the meetings held on 26th June 2013 and 9th October 2013, following the introduction of the radical funding reforms in April 2013, the DfE plans to introduce a number of refinements to school funding arrangements in 2014/15.

The DfE's key changes for 2014/15

Members of the Schools Forum will recall that on 5th June 2013, the Minister of State for Schools indicated that a number of improvements to the initial arrangements were necessary. He re-iterated the intention to move to a national funding formula; stressed the need to ensure that more money is targeted to pupils, and; acknowledged the need for LAs to be able to support small schools in rural areas. The key changes announced by the Minister included:

- LAs will be able to introduce a sparsity factor to target funds to avoid necessary small schools becoming unviable.
- LAs will have greater flexibility to target the right level of lump sum to primary and secondary schools.
- LAs will be required to allocate a minimum of 80% of their delegated Schools block funding on the basis of pupil characteristics and will have to ensure that a minimum amount is funded for each pupil (£2,000 for primary, and £3,000 for KS3 and KS4).
- LAs will provide notional SEN budgets to their schools on the basis that the school will meet the first £6,000 of additional support required by a pupil with SEN.
- The prior attainment factor will be amended so that instead of pupils qualifying if they fail to achieve level 4 or higher in English *and* maths, funding will be provided if they fail to achieve a level 4 or higher in English *or* maths.

The LA's process

In response to the Minister's announcement, the LA adopted a similar approach to the one used to deal with the 2013/14 reforms. Members of the Schools Forum will recall that the LA launched a consultation with all schools on 5th September 2013. The feedback from schools was considered by a working group of the Schools Forum on 24th September 2013 and the results of that activity were then considered by the Schools Forum on 9th October 2013. Once again, there was significant support for the LA's proposal throughout this process.

Since the meeting of the Schools Forum on 9th October 2013, the LA has:

- Consulted with the Children and Young People's Scrutiny Committee (18th October 2013). The Committee supported the LA's proposals.
- Obtained formal approval for the proposals from the LA's Portfolio Holder for Children's Services, Cllr Mrs Bradwell (30th October 2013).
- Completed and submitted the DfE's proforma outlining the LA's proposals for the funding of mainstream schools from April 2014 (31st October 2013).
- Requested DfE approval for the planned one-off allocation from the 2012/13 DSG underspend to be excluded from future calculations of the Minimum Funding Guarantee (MFG).
- Submitted a return to the DfE, outlining the number of planned places required for LA Special Schools and Alternative Provision for 2014/15 (23rd December 2013).
- Reviewed the DfE's 18th December 2013 announcement on DSG block allocations for 2014/15.
- Reviewed and proposed provisional DSG centrally held budgets for 2014/15, as set out in this report.

A significant amount of further work remains to be undertaken up to 31st March 2014 before school budgets can be published.

DfE's guidance

The guidance published by the DfE on 18th December 2013 can be found at:

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/a00230728/schools-rev-fund-2014-2015>

It confirms that:

- The DSG remains a ring-fenced grant that can only be used in accordance with DfE Regulations.
- The DfE's DSG allocations to LAs will continue to be based on the current 'spend plus' methodology for 2014/15.
- The DSG will continue to be split between the Schools block, the Early Years block and the Higher Needs block.
- The Schools block will continue to be based on the preceding October census, but an uplift will be made to ensure that no LA loses out as a result of a child's deferred entry to reception.
- The Early Years block for 2014/15 uses the January 2013 census, but will be updated in 2014/15 for the January 2014 census (5/12ths) and for the January 2015 census (7/12ths).
- The Higher Needs block allocation for 2014/15 is provisional and could be subject to adjustment as a result of submissions made by LAs on 23rd December 2013 and a review of those figures by the DfE.
- Each LA's hospital schools will continue to be funded at the current rate. This follows the DfE's top slicing of the DSG in 2013/14 to fund this.
- The DSG will continue to include funding for:
 - higher needs provision, including post-16 provision up to the age of 25.
 - monitoring and quality assuring NQT induction (this was delegated to all schools using pupil numbers).
 - the early education of 2 year olds from lower income households.
- The underlying schools budget per pupil will be kept 'cash flat' for 2014/15.
- The MFG will continue to apply and will be set at minus 1.5% per pupil. The DfE's regulations set out those formula factors that are automatically excluded from the MFG calculation.
- A total of £760m additional funding will be provided to enable LAs to secure early learning places for two year olds from lower income households. This entitlement was initially targeted at children from the 20% most deprived areas from September 2013 and will be extended to include the 40% most deprived areas from September 2014.
- LAs will no longer be required to administer the carbon reduction scheme on behalf of schools and so LAs' DSG allocations have been reduced by £50.5m to ensure that there is no loss of revenue to the Exchequer.
- The DfE will continue to purchase a number of licences on schools' behalf, then recharge LAs central DSG budgets for those costs.
- LAs will need to continue to make provision for pre and post-opening start-up costs associated with establishing new academies and free schools, to put them on a sound financial footing.
- LAs will continue to make direct payments to academies for top-ups for Higher Needs pupils, the early years single funding formula, excluded pupils and the growth fund.
- The LA's Chief Finance Officer will continue to be required to confirm deployment of the DSG in support of the Schools Budget, via the s.251 outturn statement.

Also, the DfE announced:

- The 2014/15 Education Support Grant (ESG), which covers the additional responsibilities that academies acquired upon conversion, will be set for LAs at £113.17 per pupil for mainstream schools, and £424.38 and £480.98 per place for PRUs and special schools respectively. The LA will continue to receive £15 per pupil for all county pupils, to cover its retained duties. The minimum per pupil rate for mainstream academies is £140, and minimum per place rates for PRUs and special academies will be £525 and £595 respectively.
- The provision of an additional £2.35bn capital funding up to 2017, to address the government's overriding priority, i.e. to provide the extra places needed for the growing population. This is on top of the £800m previously announced for 2014/15. The government also confirmed that £150m of capital funding would be provided to improve school kitchen and dining facilities, in order to offer every infant pupil a free nutritious school meal at lunchtime.

The DfE recently announced that 2014/15 funding for the pupil premium would be :

- £1,300 per primary pupil who is currently eligible for free school meals (FSM) or has been eligible for FSM in the past 6 years (FSM 'Ever 6').
- £935 for secondary FSM 'Ever 6' pupils.
- £1,900 for looked-after children. Eligibility criteria is being extended to include those pupils who have been in care for one day or more.
- £1,900 for eligible pupils who have been registered on the school census as having been adopted from care or leaving care under a special guardianship or residence order.
- £300 for the service premium. This will continue to be extended so that in 2014 to 2015, any pupil in reception to year 11 who has been flagged as a service child since 2011 will continue to receive the premium ('Ever 4' measure).

Further details are available at:

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/a00218077/funding-settlement-2013-14>

The Government still intends to introduce a national funding formula during the next spending review period, to reduce the funding differences between similar schools in different areas. However, officers understand that the planned consultation has been put back to the spring of 2014.

2014/15 DSG allocations

The DSG allocations announced by the DfE on 18th December 2013 are set out below.

Table 1: Lincolnshire's 2014/15 DSG block allocations

Block	Lincs £m	Lincs £ per pupil	England £ per pupil
Schools Block	392.009	4,329.10	4,550.54
Early Years block	23.220	3,974.07	4,282.41
High Needs	60.906	n/a	n/a
Additions	7.874	n/a	n/a
Total	484.009	n/a	n/a

As the underlying funding formula used by the DfE to allocate the DSG to LAs has not changed, the differences between Lincolnshire's figures and the England averages are not unexpected.

Table 2: Analysis of the 'Additions'

Item	Amount £m	England total £m
Funding for early education for 2 year olds from lower income households (now the lowest 40%)	8.546	754.991
Ending of LA responsibility for the Carbon reduction commitment	(0.810)	(50.548)
Induction for Newly Qualified teachers	0.138	10.200
Cash floor protection for LAs with falling rolls	-	0.165
Sub total	7.874	714.808

School Budgets 2014/15

The LA's proposals for changes to the 2014/15 school funding formula that were supported by schools, the Schools Forum and others last autumn were reflected in the LA's proforma submitted to the DfE on 31st October 2013. The revised funding formula will be used to determine school budget shares for the 2014/15 financial year. Members of the Schools Forum will recall that the changes to the 2014/15 formula are therefore:

- An increase in the secondary school block allocation to £0.175m, with that being funded from the secondary sector's age weighted pupil unit value. This marks a partial reversal of the change made for 2013/14. The MFG will continue to offer protection to schools.
- The introduction of a sparsity factor for secondary schools. This will be set at a rate of £0.1m per school and will operate without tapering. This will be funded from the age weighted pupil unit value in the secondary sector. Like the proposed increase in the lump sum factor above, this will partially offset the loss in funding suffered by some small secondary schools in 2013/14. Unfortunately, not all small secondary schools will benefit, due to the DfE's qualifying criteria (i.e. a school must have < 600 pupils on roll and an average sparsity distance of > 3 miles).
- To maintain the current level of low cost, high incidence SEN funding in the secondary sector. Although more pupils will qualify for funding due to the DfE's amendment to the qualifying criteria (i.e. those that do not attain the expected level at Key Stage 2 in English or Maths) the impact upon individual secondary schools should be very modest indeed.
- To introduce a factor for Looked After Children. Funding released from the unwinding of transitional protection arrangements will be used to finance this additional cost, so there should be no negative impact upon schools' existing budgets. The rate will be set at £600 and will be supplemented by the Looked After Children premium.

At the time of writing this report, work is underway to check the budget allocations to individual schools and to identify and address any anomalies that might arise, particularly with respect to the MFG calculations.

A cap on the gains in funding for individual schools should not be necessary in 2014/15. Although a 5% cap had to be applied in 2013/14 for affordability purposes, the unwinding of protection through the MFG should allow schools that were due to gain under the 2013/14 school funding reforms to do so in full in 2014/15.

Central budgets 2014/15

Due to the unprecedented level of change in school funding in recent times, it is important that the LA takes a prudent approach to the setting of central budgets. This is necessary because:

- From 2013/14, the LA was able to retain far fewer budgets and so there are likely to be smaller underspendings going forward and therefore less capacity to respond to any significant emerging issues.
- Some budgets are relatively new (e.g. the budgets for 2 year old funding where demand is uncertain; and those for post-16 students with higher needs). Others are demand led (e.g. early years) and some are difficult to estimate and control (e.g. SEN related budgets).
- The LA's non-DSG funding is expected to tighten considerably in 2015/16 and there will be no scope for the LA to supplement the DSG in the way that it has done previously.
- Any overspending arising on the DSG would need Schools Forum's support to have that written off in the following year.

The £7.874m additions to the DSG outlined in Table 2 above have been assigned to the relevant budgets, to ensure that the LA can fulfil its additional responsibilities. With respect to its other central budgets, the LA has conducted its annual, detailed review of those and the following table summarises for information the *most significant* changes to the 2013/14 budgets.

Table 3: Main changes proposed to central DSG budgets

Budget	Proposed change to the current budget Increase / (decrease) £	2014/15 Proposed budget £	Explanation
Broadband	(£0.726m)	£1.778m	The Schools Forum will recall that this budget was reduced following the introduction of the new KCom contract in October 2012. In April 2013, the LA delegated funding for filtering, firewalls, etc, to all schools, but the LA had to continue to pay a one-off sum for the previous contract with Mouchel up to 31 August 2013. That commitment has now ended and this explains the reduction in budget requirement for next year.
Stamford Endowed schools	(£0.343m)	£0.930m	As previously reported, the contract provides for a phased reduction in the number of places purchased.
Early Years	£0.750m	£16.298m	Historically, there has been steady growth in expenditure of c.5% p.a.. However, there has been a sharp increase in expenditure this year in this demand led budget. It is difficult to forecast the future budget requirement with accuracy. That is dependent upon parents' take-up of the fifteen hours per week entitlement and that may change as the government extends provision to the 40% most deprived 2 year olds. This should not create an unfunded additional cost to the DSG however, because as indicated in Table 1 above, LCC receives additional DSG funding for the early years places based on the January census each year.

The Schools Forum regulations, which were laid before Parliament on 7th September 2012, require the LA to propose, and the Schools Forum to decide, the budgets listed in the table below. Where agreement cannot be reached, the DfE will adjudicate. All three of the budgets referred to in Table 3 above, are referenced again in Table 4 below.

Table 4: Budgets requiring Schools Forum decisions

Budget	Key points	Proposed budget 2014/15 £
	<i>Under DfE regulations, the following budgets can be set at any monetary value.</i>	
Funding for significant pre-16 growth	<ul style="list-style-type: none"> • This budget is essential for the LA to fulfil its statutory duty to provide sufficient school places for pupils. • There has been major pressure on reception places for the last three years and this looks set to continue. • Funding is allocated in accordance with the LA's policy. This is when, as part of its strategic planning of places, the LA needs to ask a school to take in additional pupils above its planned admission number (PAN) temporarily or permanently. The policy is attached at Appendix 1, together with the commitments made in the 2013/14 financial year. • It will continue to be the case that funding could be allocated to maintained schools or academies. • The number of new school places required and their location is uncertain and difficult to predict. The circumstances and hence the costs will vary from school to school. It is therefore important that a prudent budget is set. • Some funding for new schools was set aside from the 2012/13 DSG underspend, as agreed with the Schools Forum in October 2013. Nevertheless, based on current commitments and expected growth next year, which is difficult to predict, it is estimated that a prudent budget of £1.5m is again required, i.e. the same sum as budgeted for in 2013/14. 	£1.500m
Places in independent schools for non-SEN pupils	<ul style="list-style-type: none"> • This matter was referred to in Table 3. • The LA has a contractual agreement to purchase these places in Stamford. • The contract provides for a phased reduction over time in the number of places purchased. • The budget requirement is therefore due to decline by £0.343m next year and will continue to decline thereafter. • Without this budget, the LA would be unable to meet its contractual liabilities and it would remain the LA's responsibility to make education provision for these young people. 	£0.930m
Early Years	<ul style="list-style-type: none"> • The proposed change in this budget for next year is explained in Table 3 above. • In addition, it is proposed that other budgets within the Early Years block (i.e. nursery class and nursery school funding) remain unchanged from the 2013/14 budgeted level. 	£16.298m

	<ul style="list-style-type: none"> As indicated in Table 2 above, the additional funding provided by the government next year for extending early education for 2 year olds to lower income households (now the lowest 40%) will be set aside for that purpose. 	
	<i>For the following items, LAs can propose only up to the value committed in 2012/13</i>	
Broadband	<ul style="list-style-type: none"> This is explained in table 3 above. 	£1.778m
Admissions	<ul style="list-style-type: none"> The LA has a statutory duty to operate the admissions arrangements in county schools. Without this budget, the LA would be unable to fulfil its statutory duties. The budget proposed for next year is the same as that set for 2013/14. 	£0.449m
Servicing of the Schools Forum	<ul style="list-style-type: none"> Historically, the cost has been very modest. Without this budget, the Schools Forum would find it difficult to operate effectively. It is proposed that the same budget for 2013/14 is set for 2014/15. 	£0.020m
Carbon reduction commitment	<ul style="list-style-type: none"> The 2013/14 budget requirement of £0.630m will not be required in 2014/15 in light of the government's recent decision to remove the requirement for LAs to administer the carbon reduction scheme on behalf of schools. The LA's 2014/15 DSG has been reduced by £0.810m, as indicated in Table 2 above. The removal of greater sum than the LA budgeted for in 2013/14 appears to be because the government planned to increase the carbon charge from £12 to £16 per tonne next year. Whilst there is therefore no longer a need to retain a central budget for this purpose, the LA still has a £0.050m commitment in respect of smart metering. 	£0.050m
Central expenditure from revenue (CERA)	<ul style="list-style-type: none"> This funds the costs of the capital investment made by the LA in schools over previous years, and the PFI contractual commitments for the seven schools built under PFI a decade ago. Without this budget, the LA would be unable to finance the on-going costs of these historic, contractual commitments. The proposed budget is therefore very similar to 2013/14 (£5.146m). 	£5.126m
Schools centrally funded termination of employment costs	<ul style="list-style-type: none"> The bulk of the 2012/13 budget had to be delegated to all schools from 2013/14, but a commitment remained for the Redeployment officer who continues to help schools avoid redundancy costs by redeploying staff in other schools wherever possible. Without this funding, this post could not be retained and schools would probably pick-up significantly greater costs from redundancies than would otherwise be the case. 	£0.045m

The budgets proposed above are prudent and have been determined following a detailed review. Most centrally held DSG budgets remain stable, but some are falling due to decisions made previously by the LA.

Some minor refinements to these budgets may be necessary in light of officers' on-going work, but material changes are not expected. In accordance with established practice, the LA will report to Schools Forum in April 2014 the final budgets for 2014/15, as set out in the s.251 budget statement which has to be published by 31 March 2014. Any material changes from the figures reported here will be communicated to the Schools Forum at that time.

Members from the relevant sections of the Schools Forum agreed the de-delegation of a number of budgets at its meeting on 9th October 2013. At the time of drafting this report, the precise sums are still being determined but the expectation is that the figures will be a little lower than 2013/14 levels, to reflect the modest increase in the number of academy conversions over the last year.

Officers are concerned about the DfE's plans to review the Higher Needs block following LAs' submissions on 23rd December 2013 of their proposals for the purchase of places in special schools, alternative provision, etc, next year. The place review will take place in January and February 2014, with final figures being published in March. This creates uncertainty around a very significant element (i.e. £60.9m) of the DSG. Furthermore, as the final funding for Higher Needs block will not be confirmed until March 2014, it is virtually impossible for the LA to finalise all other aspects of the DSG. For example, had the total DSG been known at this time, it would have been possible for the LA to determine whether any uncommitted funds were available to be transferred to the Schools block and in to individual school budgets. That is not possible now. This situation is different to last year when the Higher Needs block had been published by the DfE prior to Christmas, and there was no expectation of any subsequent changes. In light of the current situation, officers will await confirmation from the DfE of the final Higher Needs block for 2014/15 and will report to Schools Forum in April 2014 if any major concerns arise. Whilst no major concerns are expected, the uncertainty over this, and the indeed the requirement to recalculate the Early Years block under the 2013/14 funding reforms, means that there is now less certainty at this time of the year regarding the DSG funding than there used to be under the previous system. Should there be any uncommitted funds within the Higher Needs block once details are finalised in March, they will be set aside and will appear as an underspend at the end of the financial year. The use of those funds will, of course, then be considered by the Schools Forum in the October following.

The financial outlook for schools, the LA and Children's Services

As reported previously, there may be an underspending on the DSG in 2013/14, but the sum is expected to be much more modest than underspendings in recent years. The final position will be reported to the Schools Forum in October 2014, together with proposals for use of any uncommitted funds.

2014/15 is the last of the four years covered by the 2010 Comprehensive Spending Review (CSR). During this four year period, the DSG has remained 'cash flat', albeit additional funding has been provided to meet demographic growth, and the pupil premium will have added £2.5bn to school funding nationally by the end of next year.

In June 2013, the Chancellor signalled the government's intention to continue to protect school funding in 2015/16. The impact of a national fair funding formula upon Lincolnshire schools is impossible to determine in advance of the government publishing its consultation document. However, as one of the lowest funded LAs, it might be reasonable to assume that the county's share of the national budget might increase. However, that is not guaranteed and regardless of that, it is highly likely that significant protection arrangements will be introduced to soften the impact of LAs' initial losses.

By contrast, the Chancellor's announcement in June 2013 also signalled the government's intention to hit LA funding harder than other areas of the public sector once again. The exact position is not yet clear, but the indications are that the LA's non-DSG budgets could be reduced by over 10% in 2015/16, with further cuts to follow in subsequent years. How Children's Services (and, indirectly, schools) will be affected by this will be determined over the course of the next twelve months and whilst the Schools Forum's role is centred on the DSG, it will no doubt be very interested to understand the impact this will have upon schools and how that might be mitigated.

As a result of the 2010 CSR, the LA has already had to find total savings of £125m over the four year period. Children's Services had to find savings of £11.379m in 2011/12, £11.138m in 2012/13 and £5.113m in 2013/14. These savings have / will be delivered in full and on time. For 2014/15, the Directorate is required to deliver further savings of £2.636m against its non-DSG budget of c.£102m, and that is in a climate of increasing financial and non-financial pressures relating to children's social care. Finding further significant savings from 2015/16 will be extremely difficult, not least as the current £102m non-DSG budget has as two of its main components: home to school / college transport (£25m) and children's social care (£45m).

Next steps

As indicated above, officers will await DfE confirmation of the Higher Needs block before finalising the budgets funded by it.

Checks will be made against the DfE's new Schools Finance Regulations published in December 2013, to ensure full compliance.

The revised proforma for mainstream school budgets is due to be sent to the EFA on 21st January 2014. It will reflect the proposals reported to and supported by the Schools Forum on 9th October 2013.

The Schools Finance Team has already published dates for briefing sessions for maintained schools and academies to attend. This support was introduced in 2013, ahead of the introduction of the 2013/14 radical reforms. The sessions were well received and so will be repeated, to enable schools to understand the changes planned for 2014/15.

Under new DfE regulations, the LA is required to publish mainstream schools budgets (excluding sixth form funding) by the 28th February 2014. The budgets for special schools, PRUs and nursery provision must be published by 31 March 2014. The LA will however endeavour to publish all budgets earlier than the dates stipulated.

The Mouchel Schools Finance Team will continue to run the popular budget setting courses for schools in March 2014.

The LA will keep the new formula under review and will bring forward to Schools Forum any proposals for modifying the formula.

RECOMMENDATIONS

The Schools Forum is asked to:

- a. Note the content of the report.
- b. Support the LA's proposals for the setting of the central budgets shown in Table 4 above.

BACKGROUND PAPERS

The following reports were relied upon in the writing of this report.

PAPER TYPE	TITLE	DATE	ACCESSIBILITY
Report	School Funding Reform: Findings from the Review of 2013/14 & Arrangements and changes for 2014/15	26 th June 2013	County Offices, Newland, Lincoln
Report	School Funding Reform: Findings from the Review of 2013/14 & Arrangements and changes for 2014/15	9 th October 2013	County Offices, Newland, Lincoln
DfE correspondence	School Revenue Funding Settlement 2014 to 2015	18 th December 2013	http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/a00230728/schools-rev-fund-2014-2015

APPENDICES

Appendix 1 – LA policy on Growth fund and 2013/14 commitments

LA policy on Growth fund and 2013/14 commitments

Lincolnshire County Council Policy on funding arrangements for primary school reorganisations

Purpose

This policy has been developed to provide a formalised approach to the funding of primary school reorganisations to support the Local Authority's (LA) statutory duty to provide sufficient school places for the children of Lincolnshire. It seeks to address situations when, as part of its strategic planning of school places, the LA asks a school to take in additional pupils above the planned admission number (PAN) temporarily, or expand permanently.

Objective

The primary objective of the policy is to ensure that schools that are subject to a reorganisation receive funding to meet all reasonable additional costs.

Principles

The following principles underpin the policy:

- Fairness - the funding provided aims to meet all reasonable additional costs.
- Equity - all schools should be treated in a similar way.
- Transparency - all schools should be able to see and understand the policy and the allocations made to schools by the LA.
- Simplicity - the policy and underlying formula should be easily understood.
- Efficiency - resources should be used in a way that secures good value for money.

Scope

This policy is designed to deal with primary school reorganisations that are required by the LA in order to fulfil its strategic and statutory responsibilities. The policy aims to provide an appropriate level of funding to those schools that the LA wishes to expand permanently or temporarily (e.g. for perhaps for one year only, by taking additional pupils above their PAN as a 'bulge' year).

The policy does not apply in instances where schools simply have the opportunity to offer more places above their PAN. It must be commissioned and supported by the LA.

The policy applies to both LA maintained schools and academy schools.

This policy does not cover merged schools, split site factors or newly created schools.

Types of School Re-Organisations

- Permanent PAN expansions (phased)
A school is asked by the LA to have a permanent PAN change to ensure a sufficiency of school places exists. The phased PAN will impact only on the Reception intakes through a 7 year reorganisation.
- Temporary PAN expansions (over-offer on existing PAN for one year group)
A school is asked by the LA to have a temporary PAN change for only 1 year (over-offer – PAN stays as it is) to ensure a sufficiency of school places exist for a particular bulge year. This temporary PAN change will likely only affect the current year Reception intake, although it may be necessary on occasion to increase another year group to cope with mid-year admission pressures.

- Permanent PAN expansions (through all the school's year groups)

A school is asked by the LA to have a permanent PAN change to ensure a sufficiency of school places exists. The pressure on school places may exist across all year groups, therefore the PAN change will affect all the schools year groups.

Proposed approach to funding

It is proposed that where the LA requests a school to reorganise, either by increasing its PAN permanently, or over-offering places above its PAN temporarily, the LA will provide awpu funding for the actual number of children taken above the PAN up to a limit specified by the LA. The LA believes this will provide sufficient funding in the majority of cases to meet all reasonable additional costs.

However, there may be exceptional circumstances where this funding does not meet all reasonable additional costs. It is therefore proposed that schools can apply to the LA for further funding. However, to ensure that such requests are treated in a fair and consistent manner following the principles outlined in this policy, further information is provided below to indicate how such requests will be considered.

A) Costs covered by the 7/12th awpu funding

The LA would expect the following costs to be covered by the 7/12th awpu funding provided:

- **Staffing**

Leadership; Teachers (including PPA); Teaching Assistants, Midday Supervisory Assistants; Cleaners; Caretakers; Administration; Bursar / School Business Manager and Sickness Premium.

- **Non-Staffing**

Electricity; Gas; Rates; Water; Cleaning Materials; Refuse Collection and Grounds Maintenance.

B) Costs that may not be covered by the 7/12 awpu funding

The circumstances at a school and the reorganisation required may be such that the additional 7/12th awpu does not cover all reasonable additional costs. The LA will therefore consider requests for additional funding. However, to ensure transparency, consistency and fairness, the following guidelines should be followed.

Staffing costs

There may be instances where the particular circumstances at a school drive up staffing costs. Schools will be required to complete the attached return to justify why additional funding is required. The relevant section lists the types of additional costs that might be incurred. For each one, it sets out the LA's assumptions regarding the staffing grades that the awpu currently funds. To be successful in claiming additional funding, the school will need to *explain* and *evidence* why additional costs have or will be incurred.

It is assumed that each member of staff is a member of the relevant pension scheme; staff grades have been assigned using GLEA grades and job descriptions; teaching & non-teaching staff have been assigned at average salary levels for modelling purposes; staff support group salaries have been assigned in the middle of the grade, and; equated pay has been applied to support staff. Cover arrangements for planning, preparation and assessment time will be incorporated into the overall teacher costs. The provision of extra funding will also be considered in exceptional circumstances where there is difficulty in recruiting suitably experienced staff.

Attached at Appendix 2 is a template that enables schools to assess the additional staffing costs associated with the school reorganisation. To aid school planning, these will be agreed in principle by the LA following an initial review. However, this will be finalised upon the actual pupil numbers being known (October pupil census) and on the principle that the teacher & teaching assistant costs will be paid at the actual cost, if that is lower than the *modelled* average.

Where the LA has offered to provide 7/12ths of the awpu funding from September for an expected increase in number on roll, then it may in exceptional circumstances underwrite the appointment of an additional teacher, if there is genuine doubt as to whether the increase in number in roll will actually materialise. This should provide re-assurance to the school, ahead of the advertising and appointment of an additional teacher.

Schools and academies should be mindful of the long term requirements of planning for a permanent or temporary increase in pupil numbers. There is no guarantee that a permanent or temporary increase will be sustained over a period of 7 years or that a phased intake will be required year on year. The LA will review all financial support annually and expect schools and academies to organise appropriately to ensure that best use is made of all available resources within Infant Class Size regulations and what is considered to be reasonable e.g. a 1FE expansion may in four years' time only require an additional 0.5FE intake for the following three years if there is no longer a need for all of those places to remain available. As such the LA would expect the organisation of classes to reflect this rather than financial support being provided by the LA to fund empty places unnecessarily.

Other property related costs

The LA recognise that schools with newly created capacity (i.e. an additional classroom) will incur additional running costs as a result, which should be incorporated into the Appendix 2 analysis to identify whether the 7/12th awpu funding covers the additional costs of the reorganisation.

Where significant capital investment is required by the LA and several classrooms are to be built with the intention of the school filling those classrooms over several years, careful consideration needs to be given to whether additional funding is necessary to cover the additional utility and other costs associated with the larger premises. To ensure that the LA funds all reasonable additional costs from the reorganisation, it is important to recognise instances where, for a period of time, a large part of an expanded school may not be occupied and the school will not therefore draw in awpu funding to meet the premises costs of a larger school. Having said that, the LA recognises that schools are not required to utilise all of their additional buildings until such time as pupil numbers increase, but it is nevertheless important for the LA to at least consider the financial implications. The LA wishes to do so using a relatively simple system that is easy to understand, predict and administer. Attached at Appendix 2 is a template which schools can use to assess for each financial year whether the additional utility and other costs which arise from a major building programme are covered by the corresponding increase in awpu funding generated by the admission of the additional pupils.

Classroom Fixture & Fitting costs

In certain instances, the LA will support the school by providing temporary classrooms, or converting or extending accommodation for an additional permanent classroom. Additional equipment is likely to be required. When this criteria is met and the classroom is being utilised, the LA will provide an additional £9,525 to create a suitable teaching & learning environment. This sum will fund the items included in Appendix 1 for a typical classroom environment. This includes: a whiteboard and projector for the new classroom; a laptop for the teacher; 2 computers for pupils to use, and; tables & chairs. Depending on the school's circumstance, the funding may be provided for more than one year, e.g. where a permanent PAN change has been agreed between the LA and the school, and additional classrooms are required. The LA believes this approach to the funding of equipment is reasonably generous. It recognises that schools have to equip classrooms in advance of their use and understands the need to make funds available to schools. However, it also acknowledges that IT equipment typically has a useful life of approximately 4 years and those costs can be spread over that period through leasing arrangements. Such costs would ordinarily be funded by the awpu attracted by new pupils.

The fixture & fittings funding for those schools meeting this policy requirement will be allocated in the summer term.

One-off items of expenditure

The LA will also consider funding exceptional one-off costs to allow the school to continue working effectively and to avoid operational difficulties created by the change in the PAN, e.g. the integration of CCTV, alarms or servers where additional accommodation has been built for the extra children. Removal costs will also be considered where a temporary classroom(s) has been provided as an interim measure for school building expansions.

Revenue based costs are considered in this policy; however anticipated capital costs to the school from a reorganisation should be discussed with the assigned LCC Project Manager, to clarify precisely what capital items will and won't be funded.

Impact of this policy upon other local schools

The LA recognises that whilst needing to facilitate change to fulfil its strategic responsibilities for provision of school places, this policy should not cause undue turbulence in other schools. The LA will be mindful of this in reaching decisions with schools and will set limits above which no extra funding will be provided. Over time, there may be an impact upon other local schools, but the LA would expect any reduction in pupils to be moderate and gradual, and a matter that can be dealt with through good financial planning and by taking advantage of natural wastage, etc, to avoid redundancy costs. No compensation will therefore be paid to those schools.

Funding source

The funding delivered through application of this policy will continue to be made available from the Dedicated Schools Grant (DSG). The Education Funding Agency (EFA) allows LAs to support school reorganisations through the Growth Fund, which is held within the Schools block of the DSG. The LA is required to report to the Schools Forum each January on how this has been allocated.

Funding for the *actual* increase in numbers up to the LA planned growth will be allocated following the autumn census. The Finance team will have provisional numbers to enable payments to be made in December. In exceptional circumstances a funding shortfall gap may materialise in a given year of the reorganisation (demonstrated through the school completing Appendix 2), which will also be allocated in the autumn term. For permanent PAN increases, the LA and school will review the proforma in the autumn term each year, to recognise any changes in circumstances and to reflect actual teacher and teaching assistant costs.

Following the completion of the modelled proforma, a school involved in a permanent PAN change may incur a net financial loss (following the deduction of the awpu) over the course of the reorganisation, i.e. the periodic changes in staffing and property related costs, may not equate to the increase in funding via awpu. The LA will fund the final net loss position. The profile of this payment will be agreed directly with the school.

Temporary one year PAN changes will be funded in full in the autumn term where a funding shortfall has materialised.

The proforma is to aid schools financial planning over this transition period to ensure they become a sustainable entity following the reorganisation.

Lagged academy funding

Academy schools funding period covers September to August using the prior year's autumn census data. The academy school's funding is lagged by a further 5 months compared to a LA maintained school. Following agreement with the EFA, from 2014/15 the LA will support the academy school in this lagged funding period by allocation 5/12th awpu funding for the actual increase in the autumn census numbers in line with the LAs planned growth arrangements. This allocation will be recovered from EFA to ensure the LA is not financially disadvantaged through this lagged funding approach. This funding will be allocated in the summer term.

Policy date

This policy was approved by Children's Services Directorate Management Team on 21 May 2012.

Review

This policy will be reviewed by Children's Services Financial Strategy Team on an annual basis.

Date: 6 November 2013

School Growth Fund - 2013/14 commitments

2012/13 Start of Reorganisation	Funding
Boston West	£28,182
Boston Hawthorne Tree	£33,257
Spalding Primary School	£73,825
Cranwell	£89,864
Market Rasen	£45,541
Pinchbeck East	£55,421
Witham St Hugh's	£52,947
Louth St Michaels	£72,410
Grantham Huntingtower	£15,601
Sutton Bridge Westmere	£18,425
Lincoln Bishop King	£48,716
Kirton Primary School	£37,707
Spalding St Paul's	£16,718
Horncastle Primary	£7,320
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	£595,934
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2013/14 Start of Reorganisation	
Boston Staniland	£34,741
Lincoln St Faith & St Martin Junior School	£18,425
Swineshead St Mary's	£54,649
Market Deeping Community Primary	£48,861
Grantham Isaac Newton	£20,766
Skegness Infant Academy	£24,358
Morton CE Primary School	£46,344
Stamford St Augustines	£15,458
Scampton Pollypatt	£42,157
Malcolm Sargent	£9,525
The Deepings	£171,016
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	£486,300
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2013/14 New School - Lincoln Carlton Academy	
Start-up Grant	£150,879
Diseconomies of Scale Funding (Free School Approach)	£46,958
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	£197,837
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	£1,280,071

Please note: The potential gaps in funding for certain school reorganisations are in the process of being agreed.

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